

From: Bill Parish
To: rickbe@microsoft.com@inetgw,steveb@microsoft.com@i...
Date: 12/20/01 2:35pm
Subject: 5 Brief Story Ideas - Request for SEC Action

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CC: John Chambers,Larry Carter,radkem@sec.gov@inetgw,r...

Hell Steve,
Here a few thoughts you might consider. I am confident that sooner or later you will see the significance of supporting these efforts and iron out a compromise. Also copied are John Chambers and Larry Carter given the Enron like public relations techniques they have used to suppress my research. Can you imagine, dedicating their entire monthly corporate PR plan (keep in mind the size of their staff) to discrediting my efforts toward working toward reform and clarifying unusual financial transactions at Cisco? Most surprising was that this was not even news to leading publications, especially after they said I could not talk about the plan because it constituted a "trade secret." To those leading reporters out there unable to report on Microsoft, Cisco or AOL, please do consider giving O'Reilly, Oprah and a few of the other talk show hosts a call on my behalf. Maybe we could arrange a show featuring "little bill" and "big bill"

best regards,
Bill

cc: SEC Chief of Staff, Federal Reserve, FTC, John Chambers, Larry Carter
bcc: leading business reporters, regulators, legal experts, academics, federal reserve

1) Enron/Microsoft - CEO Key Lay's previous Quote to employees at Memorial Coliseum in Portland, Oregon.
"We'd like to look at ourselves as the Microsoft of the energy world." Lay saw that Microsoft was able to make massive off balance sheet speculations using derivatives on its own stock, manipulate earnings and use employee options to completely eliminate their corporate income tax. Like Enron, Microsoft also has a staggering mix of what could be direct conflicts of interest among insiders that make Enron's offenses look minor. Corruption that was tolerated at Enron was enabled by the Microsoft Corporation and their orchestration of a complete breakdown in corporate accounting practices.

This included Microsoft firing its own internal auditor who told them what they were doing constituted securities fraud, as documented on my website and reported by ABC News. It is also noteworthy that two previous CFO's at Microsoft boasted over their ability to impact accounting standards.

One of these individuals was also Chairman of the Board of the Nasdaq stock exchange while CFO at Microsoft and also aggressively setting new accounting standards. The other CFO was so brazen as to do an op-ed piece in the NY Times after the Times did a key feature story titled Financial Engineering 1.0. The Op Ed piece is a shining example of misrepresenting the significance of financial activity at Microsoft and it is startling that he was not sanctioned by the SEC. Financial integrity was a joke to this CFO who is also on record as boasting of 10 reasons why Microsoft should have a market value of \$1 trillion.

Even more startling is how Microsoft is now triggering the collapse of the Internet itself as documented in the <http://www.billparish.com/20011128msftupdate.html>. Although poorly written, this report contains numerous excellent well documented story ideas and can be directly quoted.

2) Impact of Comcast/Microsoft purchase of AT&T Broadband. AOL now has more than \$100 billion of what a prudent person might consider "fake" assets or inflated goodwill on its balance sheet.

Why hasn't AOL written this down similar to what JDS/Uniphase did. Parish & Company hereby specifically asks the SEC to conduct a review here given the significant impairment of these assets in many other companies.

Microsoft has almost no "fake" assets and more than \$35 billion in cash. In addition, AOL also has bank debt of more than \$20 billion and back taxes to the IRS resulting from the Time Warner merger of more than \$13 billion. Most disturbing however is their championing of "pro forma" earnings and eliminating the cash expenses of interest and taxes from these pro forma earnings. In the summer of 1999 at an investor town forum I asked a question of Arthur Levitt that was reported in the Oregonian. The question was, when will the SEC go after the big offenders who are breaking down the rules rather than simply focusing on smaller cases. Please allow me to repeat that request today and suggest that the SEC focus on AOL and Microsoft. This seems especially prudent given Gerald Levin's announced departure next Spring. Clearly, Ted Turner is being set up as the fall guy.

In April of 2000 I issued a public warning on AOL's bonds and specifically asked both Moody's and Standard and Poors why their debt was not downgraded. The SEC could also look at the business relationships between S&P and Moody's and AOL to see if more disclosure of potential conflicts of interest should be required. Two useful reports regarding the impact of the Comcast/Microsoft purchase of AT&T broadband are:
<http://www.billparish.com/20010430aolpart2.html> This is more pure background on unique situations at AOL.
<http://www.billparish.com/20011128msftupdate.html> Addressed AT&T more directly.

3) Citigroup and Spinoff of Asbestos Liability. Completely unreported regarding the spinoff of Traveller's Property Casualty unit is what could be the real reason for the spin-off, as noted in note 77 in the following report on Citigroup. This report also contains my letter to FTC trying to block Assoc First Capital merger that occurred last fall. Note 77 details Citigroup's asbestos exposure from purchasing Aetna's Property Casualty Business for \$4 billion. This is a shining example of an activity banks should not be allowed to enter, that is, property casualty insurance. This was also one of the rationales presented to the Federal Reserve Board of why they should have denied the Associated First Capital merger, known in the industry as the icon of predatory lending. <http://www.billparish.com/citigrouppyramid.html>

4) Microsoft Hoodwinks Grover Norquist. Grover Norquist, along with Howard Jarvis, was responsible for the legendary property tax limitation #13 that was passed in CA in 1978. I heard Grover speak recently in Portland and, knowing that Microsoft is one of his biggest funders, as dicated on his website, I asked him afterward how he felt about Msft paying zero federal income tax. His reponse was "how do they do that." Think about the implications, simply remarkable.

Tax policy is important and clearly what drives many organizations to fail, most notably Enron, due to an attempt to justify economic illusions from a manipulation of the tax code. For example, you can be certain that 90 percent of Key Lay's wealth resulted from stock option wages were taken as a tax deduction by Enron

but never charged to earnings. This greatly inflated their true earnings. Other financial engineering similarly modeled other techniques used at Microsoft, for example those used at Expedia.

5) Microsoft Speculations on Own Stock. Miraculously, Microsoft's SEC 10K for the year ending June 30, 2001 indicated that this obligation had been settled. Given that this loss was more than \$8 billion a few months earlier, the question becomes, was the disclosure adequate. More important, were any of these options held by company insiders including Paul Allen.

Parish & Company hereby formally requests that the SEC, given the recent collapse of Enron, make an inquiry to determine if any of these options were held by Paul Allen or any other significant Microsoft insiders. Although not a board member, given overlapping business dealings Allen is still an insider. This is critical to restore integrity to the market.

6) Overcoming Ruthless Legal and PR Intimidation: For example, as many of you know, Cisco Systems had an orchestrated company wide effort to try and discredit my efforts to disclose what was clearly unusual financial activity at Cisco. This campaign, which was a monumental failure, occurred in October 2000 just before Cisco's stock began a steep decline from \$82 to \$20 per share. When I was later anonymously sent a copy of this confidential plan, I would guess from some employee trying to clear their conscience, I was told that it represented a "trade secret" that could not be discussed. Sure sounds like Enron like PR to me?

Summary Comment:

Any opportunity to be quoted regarding helping generate a dialogue on these issues is always most appreciated. I can understand that many of you have considered me somewhat opinionated on these matters. Let's not worry about that but rather how to get the economy back on track. The validity of my claims should only be magnified by the situation at Enron. Enron was able to climb to slot number 7 in Microsoft's pyramid scheme, 7th in the S&P 500, but they did not see how they were structured to fail, nor does AOL now. As an aside, it is amazing how the Janus family of funds seems to be insulated. They own almost \$10 billion of AOL and you have to wonder who is doing the research.

I was able to help a lot of people locally avoid large losses on Enron but it is up to you to help maintain the integrity of the system. I'll keep putting out hard hitting studies designed to help fix the system but I can't have much impact without you. You might scan my archive at www.billparish.com for various other ideas pertaining to these topics, all designed to help restore integrity to the financial reporting process.

Again, if you are a reporter and can't do the story, please do try and contact another media outlet that might. I do produce quite a lot of most interesting research not put on the web site that might allow you to greatly advance your career. People tell me that I am much better via radio or television, in terms of media experiences. Probably because they are more interactive and allow for questions. My strategy is all about win/win and maybe one of these days I'll even convince Bill Gates of its merits.

Please do lend a hand.

Most sincerely,
Bill Parish

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